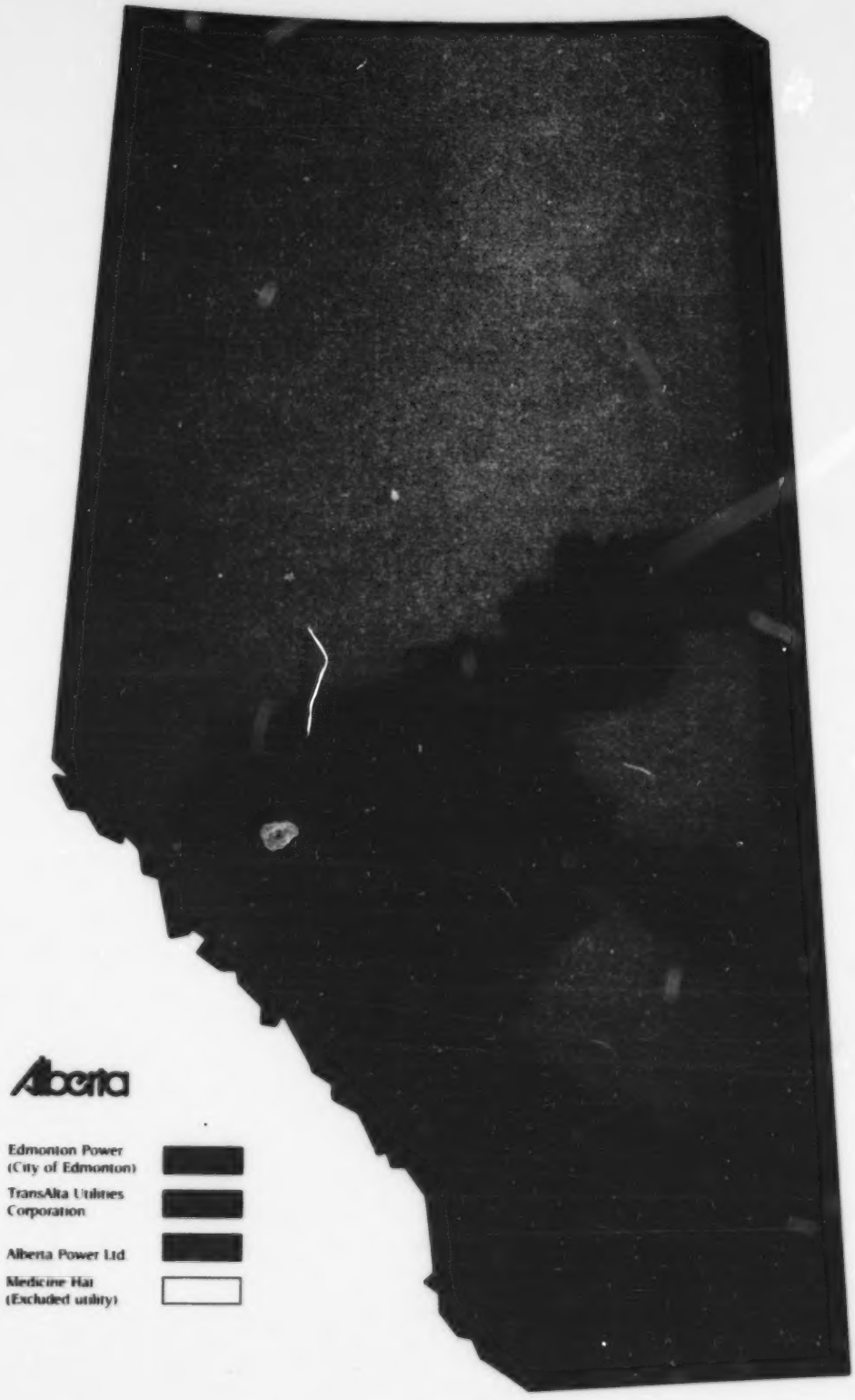
ALBERTA
ELECTRIC
ENERGY
MARKETING
AGENCY

ANNUAL REPORT

1987-88

88-06195/

Electric Utility Franchise Areas



ALBERTA ELECTRIC ENERGY MARKETING AGENCY*

*Operated under the jurisdiction of the Department of Transportation and Utilities.

Honourable Al "Boomer" Adair
Minister

Fred J. Dumont, O.C.
Chairman

ANNUAL REPORT

1987-88

Alberta
TRANSPORTATION AND UTILITIES

Office of the Minister

208 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2080

Honourable Dr. David J. Carter
Legislative Assembly of Alberta
325 Legislature Building
Edmonton, Alberta
T5K 2B6

Sir:

It is my pleasure to submit the Annual Report of the Alberta Electric Energy Marketing Agency for the year ended March 31, 1988.

Respectfully submitted,

Al "Boomer" Adair, Minister
Transportation and Utilities

ALBERTA
ELECTRIC
ENERGY
MARKETING
AGENCY

OFFICES OF THE CHAIRMAN

Suite 700, Princeton Place 403/422-1722
10339 - 124 Street, Edmonton, Alberta T5N 3W1

Woodward Tower 403/381-5384
400 - 4th Avenue, Lethbridge, Alberta T1J 4E1

The Honourable Al "Boomer" Adair
Minister of Transportation and Utilities

Sir:

It is with pleasure that I submit a report covering the operations of the Alberta Electric Energy Marketing Agency for the fiscal year ended March 31, 1988.

Yours respectfully,

Fred J. Dumont, O.C.
Chairman

Contents

Tabling letter from the Minister (i)
Letter of Submittal from Chairman (iii)

Agency Operations
Preface 1
Mandate 3
Pooling Process 3
Shielding 5
Summary 5

Financial Statements
Auditor's Report 9
Balance Sheet 10
Statement of Revenue and Expenditure 10
Statement of Capital Surplus 11
Notes to the Financial Statements 11
Schedule of Operating Expenses 12

Tables
1. Alberta Electric Energy Marketing Agency Purchase of Electric Energy from Utilities For the Year Ended March 31, 1988 (After Income Tax Rebate) 1
2. Alberta Electric Energy Marketing Agency Energy Purchased from Utilities For the Year Ended March 31, 1988 (in GW.h) 2
3. Costs of Administration of Agency To March 31 of each year 3
4. Pooling Compensation to Cities which own In-Boundary Transmission Facilities 4
5. Alberta Electric Energy Marketing Agency Transfer Payments To/From Utility Companies Including Reimbursement to the Cities For the Year Ended March 31, 1988 4
6. Alberta Electric Energy Marketing Agency Shielding to Utility Companies For the Year Ended March 31, 1988 5
7. Canada-Wide Comparison of Electricity Bills for 750 kWh for 1987 6
8. Summary of Shielding Benefits To March 31, 1988 by Calendar Year 7
9. Summary of Transfer Payments To/From Utility Companies Including Reimbursement to the Cities To March 31, 1988 by Calendar Year (net) 7
10. Summary of Pooling Benefits To March 31, 1988 by Calendar Year 10

Figures
1. Purchase of Electric Energy By EEMA From Utilities By Month ($ Millions) (After Income Tax Rebates) 2
2. Purchase of Electric Energy By EEMA From Utilities (GW.h) 2
3. Comparison of Utility Consumer Mix 4
4. Comparisons of Average Residential/Farm Consumer Bill per kWh 5
5. Comparisons of General Service And Large Industrial Consumer Rates 6

Preface

The Alberta Electric Energy Marketing Agency (AEEMA) is an administrative body, established in 1982 under the authority of the Electric Energy Marketing Act, Chapter E-4.1, Statutes of Alberta, 1981. The Agency manages the purchasing and selling of the electricity produced by the province's three large franchised generators of electricity namely, Alberta Power Ltd.; the City of Edmonton (Edmonton Power), and TransAlta Utilities Corporation herein referred to as "the utilities". **The price is set by the Public Utilities Board based on the costs of generation and transmission only.** The Agency pools these costs and resells the electricity to these same utilities at a levelized price.

The Agency also administers a price shielding program which is scheduled to expire August 31, 1988. However, the Agency is not involved in setting final rates to consumers. Consumer rates are set by those Municipal Governments which operate their own distribution systems. The investor-owned franchised utilities who retail electricity to their direct customers apply the rates set by the Public Utilities Board (PUB).

For purposes of the Utility Companies Income Tax Rebates Act only, the Agency has been designated as a customer of the three generating utilities. Under the Utility Companies Income Tax Rebates Regulation, the provincial rebate for the Agency is the total of the provincial payment passed on by the utility companies to the Agency. Therefore, in Alberta, 95 percent of the federal income tax paid by the utility companies and 100 percent of the provincial income tax is flowed back to the utilities for the benefit of their customers. This rebate is administered by the Provincial Treasurer.

The purpose of this report is to inform the general public of the transactions that have taken place during the fiscal year starting April 1, 1987 and ending March 31, 1988, as well as to satisfy the requirements of the Electric Energy Marketing Act, Chapter E-4.1, Part I, Section 8. The report includes AEEMA's audited financial statements called for under Section 77 of the Financial Administration Act, and other information required by the Lieutenant Governor in Council.

Worthy of note is the fact that the Agency's total cost of purchasing 31 billion kWh of electric power from the utilities was one billion dollars. The costs and amounts of purchases from each utility are shown in Tables 1 and 2 and Figures 1 and 2.

TABLE 1

Alberta Electric Energy Marketing Agency Purchase of Electric Energy from Utilities
For the Year Ended March 31, 1988 (After Income Tax Rebate)

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Cities[1]	Total
April 1987	$ 21 011 250	$ 12 548 193	$ 50 709 918	$ 2 554 288	$ 86 823 649
May 1987	21 011 250	12 548 193	50 709 918	2 554 288	86 823 649
June 1987	21 011 250	12 548 193	50 709 918	2 554 288	86 823 649
July 1987	21 011 250	12 548 193	50 709 918	2 554 288	86 823 649
August 1987	21 011 250	12 548 193	50 709 918	2 554 288	86 823 649
September 1987	21 011 250	12 548 193	50 709 918	2 554 288	86 823 649
October 1987	21 011 250	12 548 193	50 709 918	2 554 288	86 823 649
November 1987	21 011 250	12 548 193	50 709 918	2 554 288	86 823 649
December 1987	21 011 250	12 548 200	50 709 902	2 554 288	86 823 640
January 1988	21 916 083	10 762 516	45 534 333	2 601 942	80 814 874
February 1988	21 916 083	10 762 516	45 534 333	2 601 942	80 814 874
March 1988	21 916 083	10 762 516	45 534 333	2 601 942	80 814 874
TOTAL	$254 849 499	$145 221 292	$592 992 245	$30 794 418	$1 023 857 454[2]

[1] *These figures represent the value of cities compensation in the transfer pool as addressed in the General Regulation Section 15.*

[2] *This total is a gross total. The net total is $975 447 855 which includes adjustments made for April to December 1985 further to PUB Order E86100 dated December 19, 1986; variances made for January to March 1985 further to PUB Decision E87048 dated June 16, 1987; and adjustments made for January to March 1986 further to PUB Decision E87100 dated December 18, 1987.*

FIGURE 1
Purchase of Electric Energy
By EEMA From Utilities by Month

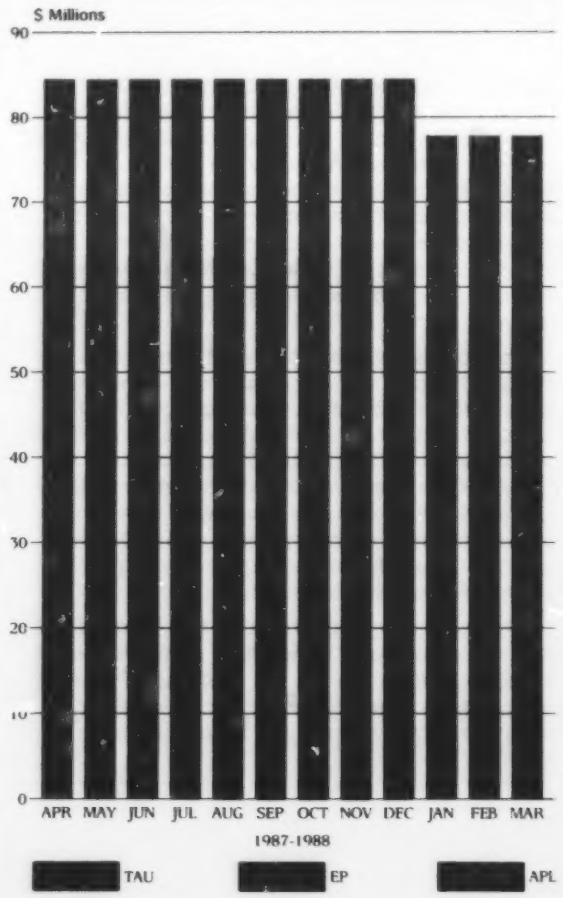


FIGURE 2
Purchase of Electric Energy
By EEMA From Utilities by Month

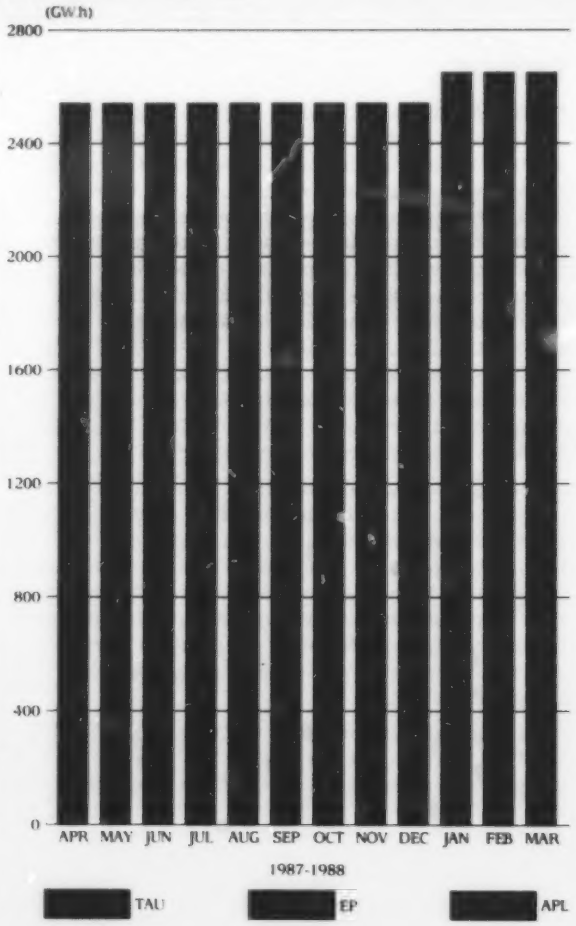


TABLE 2

Alberta Electric Energy Marketing Agency Energy Purchased from Utilities
For the Year Ended March 31, 1988 (in GW.h)[1]

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Total
April 1987	419.7146	461.9960	1 677.5833	2 559.2939
May 1987	419.7146	461.9960	1 677.5833	2 559.2939
June 1987	419.7146	461.9960	1 677.5833	2 559.2939
July 1987	419.7146	461.9960	1 677.5833	2 559.2939
August 1987	419.7146	461.9960	1 677.5833	2 559.2939
September 1987	419.7146	461.9960	1 677.5833	2 559.2939
October 1987	419.7146	461.9960	1 677.5833	2 559.2939
November 1987	419.7146	461.9960	1 677.5833	2 559.2939
December 1987	419.7146	461.9960	1 677.5833	2 559.2939
January 1988	474.0992	477.0176	1 703.0753	2 654.1921
February 1988	474.0992	477.0176	1 703.0753	2 654.1921
March 1988	474.0992	477.0176	1 703.0753	2 654.1921
TOTAL	5 199.7290	5 589.0168	20 207.4756	30 996.2214

[1] GW.h (gigawatt hour) - a unit of measurement of electricity equivalent to 1 million kilowatt hours.

NOTE: This table reflects numbers from PUB Orders for the years 1987 and 1988.

The costs to the utilities of generating and transmitting the electricity were then blended (pooled) by the Agency and the electric power was sold to the utilities at a levelized price for each consumer group. This cost averaging procedure is discussed in greater detail in the section on pooling in this report. In addition, the cities of Calgary, Lethbridge and Red Deer were reimbursed as part of the same process for transmission line costs which the cities own, and compensated for energy and demand charge losses. Table 1 shows that the three cities received a combined total rounded amount of 30.1 million dollars. Because the City of Medicine Hat owns and operates its natural gas and electric power system, it has been an excluded franchised utility since the establishment of AEEMA.

The Agency's offices are located in Edmonton and Lethbridge. Both perform administrative and reception functions, as well as serving as offices of the Chairman.

Costs incurred in the administration of the Agency are borne by the General Revenue Fund. The total yearly operating expenses have been reduced over the past five years, as a result of the introduction of new procedures and the modernization of the accounting process as shown in Table 3.

Finally it should be noted that Fred J. Dumont, was appointed Chairman on July 2, 1987 replacing James R. Dunstan who had headed AEEMA since July, 1984.

TABLE 3

Costs of Administration of Agency
To March 31 of each year

1983	1984	1985	1986	1987	1988
$309 097	$466 384	$412 584	$355 506	$322 952	$305 590*

** Refer to Schedule 1 in the FINANCIAL STATEMENTS*

Mandate

The Agency has as its sole objective since its establishment in 1982, to reduce regional electrical rate disparities by equalizing generation and transmission (upstream) costs province-wide. The mechanism used to effect this reduction in rate differences across the Province is structured in such a way so as to take advantage of the economies of scale which would result from having a single generation and transmission system for the Province. This is accomplished by averaging the upstream costs of all franchised generating and transmission systems, except the one owned by the City of Medicine Hat. At the same time, this mechanism allows for competition among the utilities which results in higher efficiency, while maintaining the independence and integrity of the Province's system of investor and municipal government-owned generating utilities. The mechanism also calls for a process of rate-setting by the Public Utilities Board and Municipal Councils both of which provide for public input and local autonomy.

Pooling Process

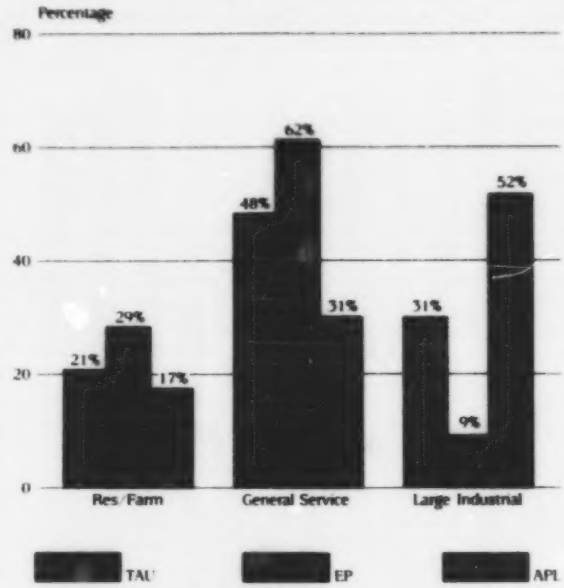
Pooling (averaging or blending) of costs associated with generation and transmission of electricity (wholesale level) by the utilities accomplishes two major goals. The first being the levelization of electric energy generation and transmission costs province-wide. These costs make up 80 percent of what the retail customer pays for power. The second goal establishes the need for a great degree of cooperation and communication between utilities in order to make the single generation and transmission concept work, which in turn has led to the attainment of a relatively high degree of economic dispatch within these systems.

The determination of the blended cost of electric energy to the point where distribution by the utilities take place, is the Agency's key administrative task. The first step involves applications to the Public Utilities Board (PUB) by the utilities to fix the price at which each utility will sell electricity to the Agency. Using the PUB decisions on these applications, the Agency blends or pools these numbers to arrive at a single figure which is referred to as the pooled cost out of the Alberta Electric Energy Marketing Agency. This is the cost which the three utilities have to pay to buy back their electricity. The pooling and re-sale figures take the three (3) consumer groups into

consideration, namely Residential, General Services and Large Industrial as defined in General Regulation. A comparison of consumer mix for each utility is shown in Figure 3.

As part of the pooling process the cities of Calgary, Lethbridge and Red Deer are reimbursed for the transmission line which they own to the point where pooled power is purchased. Table 4 shows comparative dollar amounts paid to each city for the years 1986, 1987 and 1988. In 1987-88 pooling resulted in the Agency making payments to Alberta Power and the three cities, while TransAlta and Edmonton Power made payments to the Agency as shown in Table 5. The gross cost to the government for 1987-88 is shown in the last column of the same table.

FIGURE 3
Comparison of Utility Consumer Mix



Source: Alberta Transportation and Utilities

TABLE 4

Pooling Compensation to Cities
Which Own In-Boundary Transmission Facilities
(in millions of dollars rounded to one decimal point)

	1986	1987	1988
Calgary	$26.2	$28.3	$28.1
Lethbridge	$ 1.4	$ 1.3	$ 2.1
Red Deer	$ 1.0	$ 1.0	$ 1.1

TABLE 5

Alberta Electric Energy Marketing Agency
Transfer Payments To/From Utility Companies Including Reimbursement to the Cities
For the Year Ended March 31, 1988

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Cities	Total
April 1987	$ 6 202 191	$ (2 631 574)	$ (2 622 314)	$ 2 554 288	$ 3 502 591
May 1987	6 202 191	(2 631 574)	(2 622 314)	2 554 288	3 502 591
June 1987	6 202 191	(2 631 574)	(2 622 314)	2 554 288	3 502 591
July 1987	6 202 191	(2 631 574)	(2 622 314)	2 554 288	3 502 591
August 1987	6 202 191	(2 631 574)	(2 622 314)	2 554 288	3 502 591
September 1987	6 202 191	(3 508 765)	(3 496 418)	2 554 288	1 751 296
October 1987	6 202 191	(3 508 765)	(3 496 418)	2 554 288	1 751 296
November 1987	6 202 191	(3 508 765)	(3 496 418)	2 554 288	1 751 296
December 1987	6 202 192	(3 508 755)	(3 496 429)	2 554 288	1 751 296
January 1988	7 254 830	(4 246 503)	(3 638 914)	2 601 942	1 971 355
February 1988	7 254 830	(4 246 503)	(3 638 914)	2 601 942	1 971 355
March 1988	7 254 830	(4 246 503)	(3 638 914)	2 601 942	1 971 355
TOTAL	$77 584 210	$(39 932 429)	$(38 013 995)	$30 794 418	$30 432 204 [1]

[1] This total is a gross total. The net total is $15 248 163 which includes adjustments made for April to December 1985 further to PUB Order E86100 dated December 19, 1986; variances made for January to March 1985 further to PUB Decision E87048 dated June 16, 1987, and adjustments made for January to March 1986 further to PUB Decision E87100 dated December 18, 1987.

Shielding

Funds from the General Revenue of the Province are made available to shield the utilities which are low-cost producers of electric power in Alberta. The availability of the extra revenue allow the low-cost producer utilities to cushion its consumers from the slightly higher cost of electricity resulting from the cost pooling which takes place at the end of transmission (interface).

During this fiscal year shielding was at the 40 percent level from April 1, 1987 and was reduced to the current 20 percent level on September 1, 1987. As shown in Table 6, the gross shielding payments for the period April 1, 1987 to March 31, 1988 totalled $30 432 204. However, the Agency has recovered $15 184 041 of this amount as a result of three PUB Orders adjusting previous Orders.

TABLE 6

Alberta Electric Energy Marketing Agency Shielding to Utility Companies
For the Year Ended March 31, 1988

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Total
April 1987	$ 0	$ 1 754 382	$ 1 748 209	$ 3 502 591
May 1987	0	1 754 382	1 748 209	3 502 591
June 1987	0	1 754 382	1 748 209	3 502 591
July 1987	0	1 754 382	1 748 209	3 502 591
August 1987	0	1 754 382	1 748 209	3 502 591
September 1987	0	877 191	874 105	1 751 296
October 1987	0	877 191	874 105	1 751 296
November 1987	0	877 191	874 105	1 751 296
December 1987	0	877 189	874 107	1 751 296
January 1988	0	1 061 626	909 729	1 971 355
February 1988	0	1 061 626	909 729	1 971 355
March 1988	0	1 061 626	909 729	1 971 355
TOTAL	$ 0	$15 465 550	$14 966 654	$30 432 204[1]

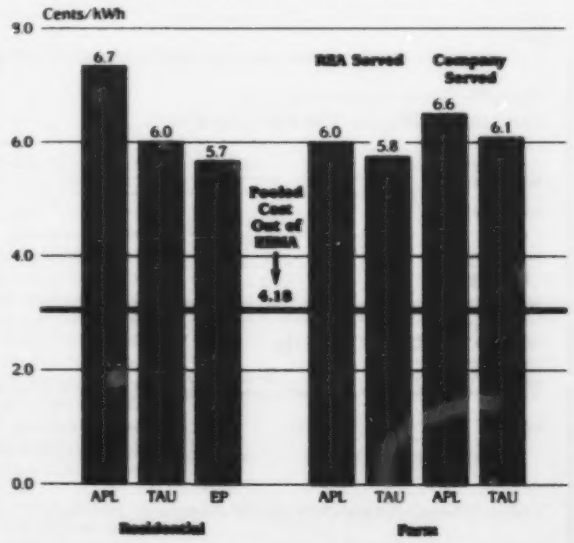
[1] This total is a gross total. The net total is $15 248 163 which includes adjustments made for April to December 1985 further to PUB Order EB6100 dated December 19, 1986; variances made for January to March 1985 further to PUB Decision EB7048 dated June 16, 1987, and adjustments made for January to March 1986 further to Pub Decision EB7100 dated December 18, 1987.

Summary

The Alberta Electric Energy Marketing Agency is to a large extent meeting its objective of reducing regional rate disparities. As illustrated in Figures 4 and 5 the rates for a kilowatt hour of electricity charged by the utilities in 1988 are within one cent or less of each other. The equalized (pooled) cost determined by the Agency is also shown. It is important to reiterate that the upstream costs (generation and transmission) which make up to 80 percent of the total operating costs for utilities are the only costs taken into consideration in arriving at the "pooled cost out of EEMA". The remaining 20 percent of the costs are related to distribution and to the revenue-to-cost rate design which each utility chooses to apply to specific customer groups. The inclusion of this aspect of utility operations in the pooling process would have a minimal effect on consumer rates.

FIGURE 4

Comparisons of Average Residential/Farm Consumer Bills per kWh Rates in effect in February 1988

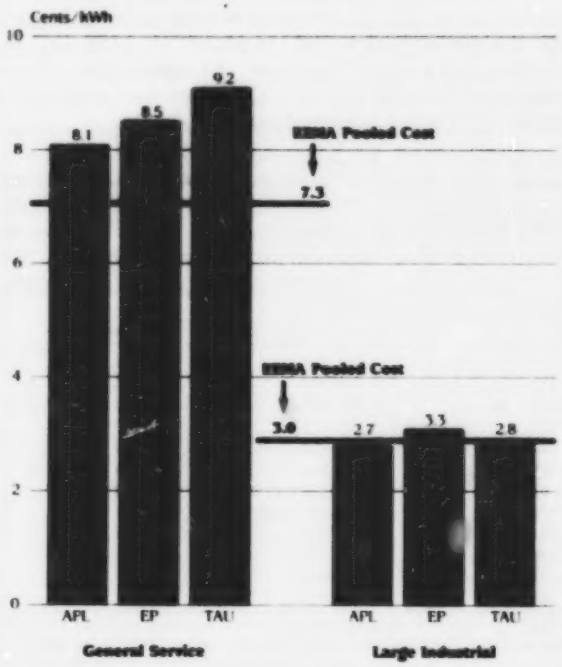


Assumes Average Monthly Usage: residential - 750 kWh
farm - 1400 kWh; 7.5 kVA

Note: Rates include temporary riders and income tax rebate.

Source: Alberta Transportation and Utilities

FIGURE 5
Comparisons of General Service and Large Industrial Consumer Rates
Based on Rates effective February 1988



Based on Monthly Usage:
General Service 10 Kw Demand & 25% Load Factor
Large Industrial 5000 Kw Demand & 80% Load Factor
Notes a) Rates include temporary riders and income tax rebate
b) Average cost varies depending on demand and load
c) The costs should not be considered as the average cost

Source: Alberta Transportation and Utilities

The rate differences that remain are no greater than in Canadian provinces with a nationalized single generation and transmission utility. Table 7 provides a Canada-wide comparison of a 750 kWh utility bill in 1987. The Yukon and Northwest Territories are not included as both in many ways are atypical of other Canadian provinces. It can be seen that Alberta was the fourth lowest in 1987 lower than Ontario, but with rates slightly above those paid by consumers in British Columbia, Quebec and Manitoba.

During the year ahead, the six-year shielding benefit program in effect since September 1982, and which has incrementally been reduced, is scheduled to expire. The amount spent from General Revenue for the period ending March 31, 1988 is shown in Table 8. This summary clearly shows that from the onset, TransAlta Utilities was the low-cost producer of electric power. Its customers received the benefits during this six-year period of a gradually reducing shield against the slightly high costs caused to them by cost-pooling at the end of the transmission line (interface). In 1986 the cities of Lethbridge and Red Deer received similar protection in the form of a one-time offsetting amount which netted out at $864 000 in fulfillment of the government intent that consumers be shielded from immediate change. In this case the resulting change was caused by a legislative amendment effective January, 1985.

TABLE 7

Canada-Wide Comparison of Electricity Bills for 750 kWh for 1987[1]

Residential			Comments
Newfoundland	-	$50 17	Mix of ownership
P.E.I.	-	68 48	Investor-owned Companies
Nova Scotia	-	56 94	Government-owned (Crown corporation)
New Brunswick	-	50 22	Government-owned (Crown corporation)
Quebec	-	33 30	Government-owned (Crown corporation)
Ontario	-	42 94	Government-owned (Crown corporation)
Manitoba	-	32 61	Government-owned (Crown corporation)
Saskatchewan	-	42 15	Government-owned (Crown corporation)
Alberta	-	39 12	Investor-owned companies serve the majority of the Province with the cities of Edmonton and Medicine Hat served by utilities owned by their respective municipal governments.
B.C.	-	29 12	Mix of ownership - B.C. Hydro is government-owned serving 90% of the population while Cominco Limited and its subsidiary, West Kootenay Power and Light Company who are investor-owned serve the remainder.

[1] *Source: Statistics Canada, Electricity Bills, Catalogue 57-203 annual*

TABLE 8

Summary of Shielding Benefits
To March 31, 1988 by Calendar Year

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Cities	Total
1982 (Sept-Dec)	$ 0	$ 0	$ 34 611 109	$ 0	$ 34 611 109
1983	0	0	64 744 512	0	64 744 512
1984	0	8 773 078	26 052 987	0	34 826 065
1985[1]	0	4 719 466	26 333 663	0	31 053 129
1986	0	12 401 095	33 949 308	864 000	47 214 403[2]
1987	0	17 543 818	17 482 094	0	35 025 912
1988 (Jan-Mar)	0	3 184 878	2 729 187	0	5 914 065
TOTAL	$ 0	$ 46 622 335	$205 902 860	$ 864 000[3]	$ 253 389 195

[1] *The 1985 shielding benefits to Edmonton Power and TransAlta Utilities include adjustments made for 1985 further to PUB Order E86100 dated December 19, 1986 and for January to March 1985 further to PUB Decision E87048 dated June 16, 1987.*

[2] *This total reflects adjustments made for January to March 1986 further to PUB Decision E87100 dated December 18, 1987.*

[3] *A one-time, offsetting amount to the cities of Lethbridge and Red Deer consequent to PUB Decision No. E86051 and as reported in previous reports.*

Through the application of the mechanism referred to as the pooling of upstream (generation and transmission) expenditure by utilities, a measure of equalization of electric energy costs between service areas of the Province has been achieved. The reported upstream expenditures must stand the prudency test applied by the Public Utilities Board when a general rate application is being heard by the PUB. In addition, public input before the PUB is provided and encouraged through the intervention process, as it does provide for the kinds of checks and balances which are often lacking in a provincialized electric utility system. The mechanism of pooling, as opposed to provincialization, preserves the integrity of Alberta's system of investor and municipally owned generating utilities.

As can be seen from Tables 9 and 10, pooling resulted in the transfer of payments between utility companies, and for compensation to cities who own transmission facilities. The pooling benefits for the period 1982 to 1988 accrued to Alberta Power Ltd. each year, whereas Edmonton Power and the cities of Calgary, Lethbridge and Red Deer benefited in certain years only. TransAlta Utilities Corporation was a contributing utility throughout.

TABLE 9

Summary of Transfer Payments To/From Utility Companies Including Reimbursement to the Cities
To March 31, 1988 By Calendar Year (Net)

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Cities[1]
1982 (Sept-Dec)	$ 20 046 742	$ 14 564 367	$ 0	$ 0
1983	56 562 811	12 399 191	(4 217 490)	0
1984	46 729 584	(2 753 154)	(9 150 365)	0
1985[2]	25 444 008	(3 146 307)	(17 555 772)	26 311 200
1986[3]	59 208 135	(10 323 925)	(31 123 903)	29 454 096
1987	74 426 293	(35 087 642)	(34 964 195)	30 651 456
1988 (Jan-Mar)	21 764 490	(12 739 509)	(10 916 742)	7 805 826
TOTAL Benefit/(Cost) Sept. 1982-Mar. 1988	$304 182 063	$ (37 086 979)	$ (107 928 467)	$ 94 222 578

[1] *Consistent with General Regulation effective January 1, 1985.*

[2] *The 1985 transfer payments include adjustments made for 1985 further to PUB Order E86100 dated December 19, 1986 and for January to March 1985 further to PUB Decision E87048 dated June 16, 1987.*

[3] *The 1986 transfer payments include adjustments made for January to March 1986 further to PUB Decision E87100 dated December 18, 1987 and also includes a one-time offsetting amount of $864 000 consequent to PUB Decision No. E86051.*

TABLE 10

Summary of Pooling Benefits
To March 31, 1988 By Calendar Year

	Alberta Power Ltd.	Edmonton Power	TransAlta Utilities	Cities	Total
1982 (Sept-Dec)	$ 20 046 742	$ 14 564 367	$ 0	$ 0	$ 34 611 109
1983	56 562 811	12 399 191	0	0	68 962 002
1984	46 729 584	45 348	0	0	46 774 932
1985[1]	25 444 008	0	0	26 311 200	51 755 208
1986[2]	59 208 135	0	0	28 590 096	87 798 231
1987	74 426 293	0	0	30 651 456	105 077 749
1988 (Jan-Mar)	21 764 490	0	0	7 805 826	29 570 316
TOTAL	$304 182 063	$ 27 008 906	$ 0	$ 93 358 578	$424 549 547

[1] *The 1985 pooling benefits to Alberta Power Ltd. and Edmonton Power include adjustments made for 1985 further to PUB Order E86100 dated December 19, 1986 and for January to March 1985 further to PUB Decision E87048 dated June 16, 1987.*

[2] *The 1986 pooling benefits to Alberta Power Ltd. include adjustments made for January to March 1986 further to PUB Decision E87100 dated December 18, 1987.*

ALBERTA LEGISLATURE
OFFICE OF THE AUDITOR GENERAL

Auditor's Report

To the Minister of Transportation and Utilities

I have examined the balance sheet of the Alberta Electric Energy Marketing Agency as at March 31, 1988 and the statements of revenue and expenditure and capital surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Agency as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Donald D. Salmon

C.A.
Auditor General

Edmonton, Alberta
April 29, 1988

BALANCE SHEET

As At March 31, 1988

	1988	1987
ASSETS		
Current:		
Cash	$ 106 789	$ 65 954
Fixed:		
Equipment, at cost	29 552	33 397
	$ 136 341	$ 99 351
LIABILITIES AND SURPLUS		
Current:		
Accounts payable	$ 1 000	$ 4 576
Due to the Province of Alberta	105 789	61 378
	106 789	65 954
Capital surplus	29 552	33 397
	$ 136 341	$ 99 351

The accompanying notes are part of these financial statements.

STATEMENT OF REVENUE AND EXPENDITURE

For the Year Ended March 31, 1988

	1988	1987
REVENUE		
Sales of electric energy	$ 975 447 885	$ 1 037 874 115
EXPENDITURE		
Purchases of electric energy	975 447 885	1 037 874 115
Shielding grants	15 248 163	42 946 924
Operating expenses, Schedule 1	305 590	322 952
	991 001 638	1 081 143 991
Excess of expenditure over revenue	15 553 753	43 269 876
Contribution by the Province of Alberta	15 553 753	43 269 876
	$ —	$ —

STATEMENT OF CAPITAL SURPLUS

For the Year Ended March 31, 1988

	1988	1987
Balance at beginning of year	$ 33 397	$ 43 173
Less: Equipment written off	3 845	—
Equipment transferred to the Department of Transportation and Utilities	—	9 776
	3 845	9 776
Balance at end of year	$ 29 552	$ 33 397

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1988

Note 1 Authority

The Alberta Electric Energy Marketing Agency operates under the authority of the Electric Energy Marketing Act, Chapter E-4.1, Statutes of Alberta 1981, as amended. Shielding grants are paid pursuant to the Department of Transportation and Utilities Act, Chapter D-30, Revised Statutes of Alberta 1980, as amended.

Note 2 Significant Accounting Policies and Reporting Practices

(a)General:

These financial statements have been prepared in accordance with generally accepted accounting principles except that purchases of fixed assets are charged to operations in the year of acquisition. Notwithstanding this policy, however, the balance sheet also shows, for information purposes, the cumulative amount of such expenditures in respect of all fixed assets presently owned with a corresponding credit shown as capital surplus.

(b)Changes in Financial Position:

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Administration Costs

Office accommodation and certain other overhead costs incurred in the administration of the Agency have been borne by the General Revenue Fund and are not reflected in these financial statements.

Note 4 Approval by the Public Utilities Board

The price at which electric energy is sold to the Alberta Electric Energy Marketing Agency is subject to Public Utilities Board approval. Any subsequent price adjustments by the Board, received by the Agency on or before December 31 in respect of a prior year, are reflected in the following calendar year.

Note 5 Comparative Figures

The 1987 figures have been reclassified where necessary to conform to 1988 presentation.

Note 6 Approval of Financial Statements

These financial statements were approved by management.

SCHEDULE OF OPERATING EXPENSES

SCHEDULE 1

For The Year Ended March 31, 1988

	1988	1987
Salaries and wages	$ 229 250	$ 243 886
Employee benefits	26 412	24 323
Travel and hospitality	18 647	14 843
Legal, consulting and business services	18 446	24 638
Equipment rental	4 506	5 179
Repairs and maintenance	3 931	3 499
Printing, stationery and supplies	1 763	2 207
Freight, postage and telephone	1 434	3 421
Books and periodicals	1 201	956
	$ 305 590	$ 322 952